

## Message Text

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45

ACTION ARA-20

INFO OCT-01 ISO-00 HEW-08 AGR-20 SP-03 AID-20 EB-11 NSC-07

RSC-01 CIEP-03 TRSE-00 SS-20 STR-08 OMB-01 CEA-02

CIAE-00 COME-00 FRB-03 INR-11 NSAE-00 XMB-07 OPIC-12

LAB-06 SIL-01 PA-04 PRS-01 USIA-15 IO-14 SPM-01 L-03

H-03 DRC-01 /207 W

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R 221330Z AUG 74

FM AMEMBASSY BOGOTA

TO SECSTATE WASHDC 4422

INFO AMCONSUL CALI

AMCONSUL MEDELLIN

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E O 11652 NA

TAGS ECON CO

SUBJ: FISCAL ANALYSIS PRESENTED TO CONGRESS

REF BOGOTA 7324

1. ON AUG 20 LOPEZ CABINET PRESENTED ITS ANALYSIS OF COLOMBIAN BUDGET MANAGEMENT AND PUBLIC EXPENDITURES TO CONGRESS, WITH FINMIN ADDRESSING SENATE AND ECONOMIC DEVELOPMENT MIN ADDRESSING HOUSE. BUT EXPECTATIONS OF MAJOR PROGRAM ANNOUNCEMENTS ONCE AGAIN DISAPPOINTING. RELATIVELY BRIEF PRESENTATION REPETITIVE OF PREVIOUS SPEECHES BY NEW GOVT, GENERAL INTONE, AND CONTAINED FEW SPECIFIC PROPOSALS. THEMES CONTINUE TO BE THAT INFLATION IS MOST SERIOUS PROBLEM, AGGRAVATED BY FISCAL INHERITANCE FROM PREVIOUS GOVT, AND THAT MORE EQUITABLE INCOME DISTRIBUTION IS PRIORITY AIM OF GOC POLICY.

2. NOTING THAT REAL WAGES HAVE DECLINED IN PAST TWO YEARS, REPORT CITES NEED TO INCREASE PRODUCTIVITY, COMBAT SPECULATION AND "PROCEED SLOWLY TO ADJUST SALARIES IN ORDER TO RECUPERATE THEIR LIMITED OFFICIAL USE

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PURCHASING POWER WITHOUT LEADING TO GREATER PRICE INCREASES."

EARLIER IDEA OF CONSULTING WITH BUSINESS AND LABOR ON ECONOMIC POLICY REAFFIRMED IN CONTEXT OF ANNOUNCING RECOGNITION OF COMMUNIST LABOR CONFEDERATION (SEPTTEL).

3. PRESENT FISCAL SITUATION PORTRAYED IN WORST POSSIBLE LIGHT, WITH DEFICITS OF US\$135 MILLION AND US 200 MILLION PROJECTED FOR 74 AND 75 RESPECTIVELY, LATTER FIGURE BASED ON 75 BUDGET PRESENTED IN LAST DAYS OF OLD GOVT. IN FACE OF THESE PROJECTIONS, LOPEZ GOVT WILL PRESENT NEW 75 BUDGET AND MAKE SUBSTANTIAL CUTS IN REST OF 74. TAX AMNESTY BILL NOT RPT NOT BE DECLARED. EXPENDITURE REDUCTIONS WILL BE BASED ON CRITERIA OF MAINTAINING BENEFITS FOR POORER HALF OF POPULATION AND POSTPONING SUCH THINGS AS AIRPORT AND ROAD CONSTRUCTION WITH LESS IMMEDIATE SOCIAL BENEFITS. SUBSIDIES BENEFITING HIGH INCOME GROUPS WILL BE SUSPENDED OR REDUCED, WHILE THOSE BENEFITING LOWER CLASSES, SUCH AS ON URBAN TRANSPORT, WILL RECEIVE SPECIAL TREATMENT. PRIORITY EMPHASIS WILL BE ON PRIMARY EDUCATION, HEALTH, MOTHER AND CHILD NUTRITION, BASIC PUBLIC SERVICES, URBAN RENEWAL, LOW COST HOUSING, AND HELP FOR SMALL AGRICULTURALISTS AND FARM LABORERS.

4. ON REVENUE SIDE, GOC WILL PROPOSE FUNDAMENTAL TAX REFORM REDUCING TAXES ON LABOR AND RAISING OTHERS. PRESUMPTIVE AGRICULTURE TAX, PRESENTLY SUSPENDED, WILL BE APPLIED AND CONCEPT EXTENDED TO OTHER SECTORS. TAXES WILL BE ESTABLISHED ON STATE-RUN BUSINESSES. BUT FORCED PLACING OF DEVELOPMENT BONDS " WOULD BE INCONVENIENT."

5. REPORT FURTHER SUGGESTS THAT COLOMBIA FACES FOREIGN EXCHANGE PROBLEMS BECAUSE PROJECTED COFFEE EARNINGS FOR CY74 SHARPLY REDUCED FROM US\$737 MILLION TO US\$511 MILLION. BUT REMEDY OF EUROPEAN DOLLAR LOANS REJECTED BECAUSE OF HIGH INTEREST RATES AND BECAUSE OF INFLATIONARY IMPACT OF MONETIZING LOAN PROCEEDS. FINALLY, DECENTRALIZATION OF ECONOMIC ACTIVITY STRESSED.

6. COMMENT: MONETARY POLICY SPEECH LAST WEEK (REFTTEL) AND PRESENT FISCAL REPORT APPARENTLY LAYING GROUNDWORK FOR COMPREHENSIVE ECONOMIC POLICIES WHICH PROBABLY NOT YET COMPLETELY WORKED OUT WITHIN GOC. WHEN NEXT STEP TO BE TAKEN HAS NOT BEEN ANNOUNCED. BUDGET DEFICIT FIGURES CITED ARE FOR EMPHASIS ONLY, SINCE LAST GOVT'S 75 BUDGET WAS NEVER INTENDED TO BE TAKEN SERIOUSLY, AND LIKEWISE FEW EXPECTED 74 BUDGET TO BE FULLY IMPLEMENTED. WE ARE ALSO PUZZLED LIMITED OFFICIAL USE

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BY REDUCED COFFEE EARNINGS ESTIMATE, WHICH SEEMS OUT OF LINE WITH INFO AVAILABLE TO EMB. VAKY

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** GOVERNMENT BUDGET, FINANCIAL PROGRAMS, CENTRAL LEGISLATURE  
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**Copy:** SINGLE  
**Draft Date:** 22 AUG 1974  
**Decaption Date:** 01 JAN 1960  
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**Disposition Approved on Date:**  
**Disposition Authority:** boyleja  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
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